



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

We wish to inform you that the Millennium Challenge Corporation intends to obligate up to \$8,825,000 to facilitate the development and implementation of a Millennium Challenge Compact with the Government of Burkina Faso.

The attached notification is being sent to the Congress on March 22, 2018. Obligation of funds may be incurred on or after 15 days from the date of this notification.

In addition, we have attached supplemental information that further describes the planned use of the funds. If you or your staff would like to arrange a meeting to discuss the program, please contact Dan Chaison at (202) 521-3593 or chaisondm@mcc.gov.

Sincerely,

/s/

Karen Sessions
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

March 22, 2018

PROGRAM:	Eligible Countries
APPROPRIATIONS CATEGORY:	Fiscal Year 2018 Program Funds
OBLIGATION AMOUNT:	\$8,825,000

Pursuant to section 7015(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2017, as carried forward by the Continuing Appropriations Act, 2018, as amended, this is to advise that the Millennium Challenge Corporation (“MCC”) intends to obligate up to \$8,825,000 under section 609(g) of the Millennium Challenge Act of 2003, as amended, for the purpose of facilitating the development and implementation of a Millennium Challenge Compact with the Government of Burkina Faso.

The funds are expected to finance activities necessary to assess the expected impact of the proposed compact, further design activities and develop implementation strategies.

SUPPLEMENTAL INFORMATION – MCC 609(G) ACTIVITIES FOR BURKINA FASO

Background

Burkina Faso is a landlocked country in West Africa with a population of 18.6 million and a gross domestic product (GDP) per capita of \$650. Using the World Bank's \$1.90 purchasing power parity per day international poverty line, 43.7 percent of its population is considered poor. While poverty rates have dropped dramatically with rising growth since the early to mid-1990's, due to high rates of population growth, absolute numbers of poor have not dropped substantially, going from 8.1 million in 1994 to 7.7 million in 2014. Burkina Faso has experienced relatively consistent growth in GDP per capita in recent years. As in some other West African countries in the regional monetary union, the devaluation of the CFA Franc in 1994 marked a turning point in Burkina Faso's growth history. After the devaluation, growth rates of GDP per capita rose to an average of 2.9 percent per year. Burkina Faso's economic growth has been slow but steady in the long run relative to other low-income countries.

The challenge for Burkina Faso is how to both sustain and strengthen the growth and poverty reduction that it has experienced over the past 25 years. Workforce development focused on the manufacturing and services sectors may be an important part of the next chapter in Burkina Faso's poverty reduction story. Peace, security and political stability will also be important factors for ensuring steady growth and progress in Burkina Faso. MCC currently projects that the MCC Board of Directors will consider a compact program for Burkina Faso in the first half of fiscal year 2020.

Compact Eligibility and Constraints Analysis

MCC's Burkinabe counterparts at the *Unité de Coordination pour la Formulation d'un Deuxième Compact* (UCF), in close with the MCC Country Team, conducted an analysis of the constraints to private sector investment and economic growth in Burkina Faso that identified the high cost, low quality, and low access to electricity as well as the lack of a skilled workforce as key constraints. The identification of these constraints stressed the need to improve firms' ability to operate in energy-dependent sectors as well as the skills level of workers to enable private investment and entrepreneurship.

The Government of Burkina Faso then undertook regional and national public consultations on the results of this analysis, the MCC approach and possible project concepts in October 2017. In November 2017, the Government of Burkina Faso submitted two concept notes to MCC. In response, MCC initiated a review process and after completing this review, MCC and the Government of Burkina Faso agreed to move forward with project development in two thematic areas: electricity and workforce skills development.

Summary of Proposed Project Interventions

Power Sector:

- 1. Strengthening the sector's institutional framework and capacity:**
 - (a) Improve sector governance, coordination, and strategic planning;

- (b) Reform, as appropriate, the management and governance of the national utility;
 - (c) Strengthen sector regulator to fulfill mandate, including tariff reviews; and,
 - (d) Increase the technical capacity in the electricity sector, in such key areas as integrated planning, independent power producer solicitation and negotiation, operations and maintenance, tools, systems, revenue protection, customer service, and sustainable resource planning.
- 2. Increasing reliability of the transmission and distribution network and quality of power:**
- (a) Rehabilitate and upgrade the transmission and distribution network to reduce losses and outages due to overloaded lines and substations; and
 - (b) Modernize the network in order to increase its level of automation and strengthen the network control system.
- 3. Increasing the supply of lower cost electricity:**
- (a) Identify cost-effective opportunities to support development of new generation capacity and/or import of electricity to reduce the supply deficit;
 - (b) Diversify generation as a means of reducing the share of costly thermal sources, and ultimately to reduce the cost of electricity for consumers;
 - (c) Reduce the cost and improve delivery of fuel for existing thermal generation; and
 - (d) Implement energy efficiency/demand management to reduce supply deficit.
- 4. Facilitating the sustainable and strategic expansion of access to electricity by identifying cost-effective opportunities with sufficient returns such as:**
- (a) Densification of connections in areas already proximate to the grid;
 - (b) Reduction of policy, operational, and/or barriers to new connections; and
 - (c) Development of network extensions or off-grid supply if/where economically feasible opportunities are identified (*i.e.*, potential for economic returns).

Human Capacity Sector:

- 1. Improving access to secondary school education while improving quality:**
- (a) Improving quality of training at the two national secondary school teacher training institutes.
 - (b) Developing a viable model for expanding access to secondary education while improving quality that is sustainable and scalable by the government.
 - (c) Developing a reform agenda, implementation plan and related support for the aforementioned model.
 - (d) Experimenting with specific interventions to reduce social and gender disparities, improve school management, improve the quality of math and science education, and increase accountability.
 - (e) Expanding opportunities for teacher pre-service training while complementing existing government efforts.
 - (f) Instituting data systems to inform and facilitate decision-making.

2. Demonstrating a model for private sector-driven Technical and Vocational Education and Training (TVET):

- (a) Explore targeted intervention in energy to demonstrate a model for private sector-driven technical training to deliver skills relevant to the labor market.
- (b) Consider TVET opportunities around demand management (re: energy efficiency).
- (c) Propose governance structure, in partnership with the private sector, to address the identified root causes..
- (d) Identify partnership opportunities with U.S. private sector firms.
- (e) Consider targeted policy reforms to facilitate the assessment and uptake of the demonstration project that may include a regulatory framework for public-private partnership.

3. Strengthening and innovating adult comprehensive functional literacy, numeracy, and livelihoods skills system:

- (a) Assess how adult functional literacy programs could be used to support energy project beneficiaries to better access benefits.
- (b) Assess existing adult functional literacy programs and identify how they could be improved and scaled.
- (c) Provide adults with a range of training including literacy, numeracy, entrepreneurship, and soft skills linked to their livelihoods, with a priority on targeting women and out-of-school youth. .
- (d) Assess opportunities for results-based financing.

Assistance to Develop the Compact Proposal

In order to assist Burkina Faso to further develop the proposed compact, MCC intends to fund preparatory activities for the proposed electricity and workforce skills development concepts. For example, MCC plans to fund the fiscal and procurement agents, administrative costs, and preparatory work such as additional technical feasibility studies. Additionally, MCC plans to fund preliminary environmental and social impact assessments, resettlement policy frameworks, firm and household surveys in support of program element cost benefit analysis, a strategic communications plan and data collection in support of monitoring and evaluation. Funding these activities reflects MCC's commitment to preparing projects in a comprehensive manner, prior to compact signing, to reduce implementation risk and increase confidence in the economic justification and technical feasibility of the proposed projects.